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SIPDIS

PASS USTR FOR KATHERINE DUCKWORTH AND MARY SULLIVAN
USDA FAS/ONA FOR ROBERT RIEMENSCHNEIDER AND GREGG YOUNG
EEB/TPP/MTA FOR BILL CRAFT AND CHEVER VOLTMER
PASS NSC FOR DPRICE AND MSMART
TREASURY FOR MMALLOY AND LTRAN
USDOC FOR 4322/ITA/MAC/OLAC/PEACHER
US SOUTHCOM FOR POLAD

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E.O. 12958: N/A
TAGS: [ETRD](#) [WTRO](#) [ECON](#) [EAGR](#) [EINV](#) [PREL](#) [AR](#)
SUBJECT: ARGENTINA: GOA DOWNBEAT ON DOHA SERVICES "SIGNALING"
EXERCISE

Ref: (A) STATE 18370

(B) 07 BUENOS AIRES 1558

Summary

1. (SBU) In a sharp response to Ref A letter from USTR Schwab on upcoming WTO Doha Development Round (DDR) services negotiations, Foreign Ministry Trade Secretary Alfredo Chiaradia argued that Schwab's linking the USG's ability to agree to modalities on Agriculture and NAMA to our confidence in an equivalently ambitious services outcome was an example of U.S. "imperiousness" that "inverts the accepted hierarchy" of DDR Ag and NAMA priorities. Progress on linked Ag and NAMA modalities will remain the GoA's "benchmark" to measure DDR progress. Chiaradia called current Ag and NAMA draft proposals "unbalanced," with agriculture commitments significantly less ambitious than NAMA -- and developing country Swiss coefficients in the NAMA draft more than Argentina can handle given domestic political constraints. Chiaradia did offer that the GoA has "room to maneuver" on services, and promised a formal reply to USTR Schwab's letter shortly. End Summary.

GoA: Services Signaling "Inverts" DDR Priorities

2. (SBU) CDA, Econ Counselor, and Trade Officer met February 27 with Ambassador Alfredo Chiaradia, Secretary of Trade in the Foreign Ministry and lead multilateral trade negotiator for the GoA, and Luis Niscovolos, Director of Multilateral Economic Negotiations in the Argentine Foreign Ministry to pass USTR Schwab's request (Ref A) that the GoA participate in an upcoming series of signaling meetings to advance WTO services negotiations. Chiaradia called the USTR's direct linkage of USG ability to agree on Agriculture and NAMA modalities to our confidence in an equivalently ambitious services outcome an example of U.S. "imperiousness" that "inverts" the accepted DDR negotiating hierarchy of Agriculture and NAMA as priorities. While paragraph 24 of the 2004 DDR Hong Kong Declaration calls specifically for "comparable" levels of Agriculture and NAMA ambition, Chiaradia recalled no consensus statement from prior DDR Ministerials making an equivalent statement on levels of ambition in services. The U.S., he concluded, is attempting to raise DDR service sector negotiations to a level of

importance not "consecrated" in prior DDR consensus documents.

GoA DDR Priorities: Agriculture First and Foremost

13. (SBU) Chiaradia called agriculture negotiations the "locomotive" for broader DDR progress from the GoA's perspective, and stressed repeatedly that the manner in which the 170-plus unresolved issues in the latest Agriculture modalities text are dealt with would set Argentina's "benchmark" for level of ambition in NAMA. He called the latest NAMA modalities draft tabled by committee chair Stephenson "unacceptable" and insisted that "disequilibria" between the latest Ag and NAMA texts be addressed. Only when agricultural issues are clarified, Chiaradia said, could the same level of ambition be applied to NAMA and eventually, perhaps, to services. Chiaradia explained that, from Argentina's perspective, the level of ambition in the NAMA negotiating text is significantly higher than that in Agriculture, with bound tariff rate cuts Argentina is being asked to make on the order of 65%, while proposed agriculture cuts are in the 40% range and riven with loopholes. Failing to deal promptly and substantively with Agriculture and NAMA discrepancies, he concluded, could sour the entire DDR round.

Drawing the Line on NAMA

14. (SBU) The GoA is not prepared to make NAMA bound tariff cuts of 65%, Chiaradia said, adding "we'd like to receive an indication from the U.S. that it recognizes and respects our sensitivities in NAMA. I want to transmit a clear message to the USG that you cannot push us so hard on NAMA tariffs. It simply won't work."

15. (SBU) Chiaradia concluded that the GoA would be "attentive to how the (services) situation develops," that Argentina does not want to be perceived as either protectionist or negativist, and that the GoA truly wants to see the DDR negotiations conclude successfully. After CDA emphasized the growing importance of services to the Argentine economy and the GoA's own stake in an ambitious DDR services outcome, Chiaradia offered that the GoA has "room to maneuver" on services, and promised a formal reply to USTR Schwab's letter shortly. Niscovolos later expressed doubts to Econ Counselor and TradeOff that the GoA would be at all forthcoming at upcoming Services signaling meetings and said that any Argentine/U.S. bilats on the margins of those service sector discussions might be a "waste of time."

Comment

16. (SBU) Trade Secretary Chiaradia's message was an unambiguous rejection of any effort to link levels of Services ambition to those being proposed in Ag and NAMA texts. This is, perhaps, understandable in light of Argentina's increasing reliance on agricultural commodity exports and the GoA's laser-like focus on protecting, promoting, and diversifying its industrial base. But it is disappointing given Argentina's competitive advantage in service sector exports and the role this dynamic and innovative sector is playing in mobilizing world-class Argentine human capital. Employment in Argentina's software and information services industry alone is up 300%, and service exports in these sectors is up 500% since 2002.

17. (SBU) Post will continue to emphasize the U.S. and Argentina's common interest in benefiting from freer global markets in services. A successful conclusion to WTO trade negotiations with ambitious openings in Argentina's services offer will help ensure that Argentina's service sector continues to be an engine of GDP growth, employment, and national pride.

WAYNE